



Banking & Insurance Quarterly

Information for New Jersey's Banking, Insurance and Real Estate Industries

Volume 1, No. 1



A MESSAGE FROM THE COMMISSIONER

Welcome to the first edition of the Banking and Insurance Quarterly, a newsletter serving the banking, insurance and real estate industries.

This publication combines the best of the *Insurance Reporter* and the *REC News*, the Real Estate Commission's newsletter, plus we have added a number of

We are promoting a hands-on anti-fraud program that we will be bringing directly to senior citizen community organizations.

items on the New Jersey banking industry to round things out.

Our goal is to present the information you need in a format that is truly reflective of the entire Department of Banking and Insurance. Hopefully, there is useful information for everyone regarding the industries we regulate.

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NJ BANKS POST STRONG EARNINGS

Aggregate net income for all New Jersey commercial banks and savings institutions rose between March 1999 and March 2000.

For the first quarter of 2000, state and federally chartered banks and savings institutions posted record earnings of \$454 million, up 7.1 percent from the year before.

STATE-CHARTERED COMMERCIAL BANKS

For the first quarter of 2000, state-chartered commercial banks – excluding those that have been operating less than three years – posted strong earnings of \$183.9 million, up 10.0 percent

from one year earlier. While the number of established banks reporting growth in earnings declined from 34 to 32 institutions between March 1999 and March 2000, asset growth for the period was strong: total assets are \$56.5 billion, up 14.8 percent.

However, the return on average assets for established banks was 1.32 percent, down slightly from 1.42 percent in March 1999. Similarly, net interest income as a percentage of earning assets declined from 3.81 percent to 3.67 percent, and lower non-interest income decreased from 1.14 percent to 1.09 percent.

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NJDOBI RECEIVES ACCREDITATION FROM NAIC

The New Jersey Department of Banking and Insurance has received its accreditation from the National Association of Insurance Commissioners.

The NAIC is an organization of insurance regulators from the 50 states, the District of Columbia and the four U.S. territories. The NAIC provides a forum for the development of uniform policy and support to the insurance commissioners.

Accreditation means the NAIC has determined that the New Jersey Department of Banking and Insurance effectively monitors the financial solvency of its New Jersey based insurance companies.

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Rules

REAL ESTATE COMMISSION RULE AMENDMENTS

- The Commission has amended N.J.A.C. 11:5-6.1(n) which was adopted in June and became effective Sept. 17.

It requires licensees to obtain written consent before posting information on a listed property on a web site.

After authorization is obtained, listing brokers who place the listing on a web site that has no measures to prevent third parties with web sites from accessing the data via an electronic link, thus enabling consumers to view the data, will be deemed to have consented to the third party doing so.

- On July 19, the comment periods on proposed amendments to N.J.A.C. 11:5-6.1 and 6.4 expired. The Commission anticipates reviewing the comments and taking further action on these proposals in the next few months. The full text of these proposals may also be viewed on the Commission's web site at www.naic.org/nj/recnotes.htm



REMINDER

N.J.A.C. 11:5-7.1(e) provides that in addition to brokerage commissions, real estate licensees may be compensated for actual services in related transactions, so long as the licensee discloses the related services, sources and compensation in writing to the parties to the sale or rental transaction. Any compensation received by a licensee for services provided in related transactions must be for services actually performed by the licensee beyond mere referral. Where the related services involve mortgage financing, the disclosures required by N.J.A.C. 11:5-6.7 must be made. Records of related transactions and all required written disclosures must be maintained as business records in accordance with N.J.A.C. 11:5-5.5.

If he is properly licensed as a mortgage banker or broker or registered as a mortgage solicitor by the Division of Banking, so long as all disclosures required by N.J.A.C. 11:5-6.7 and 6.8 are made it is permissible for a real estate licensee to provide real estate brokerage services on a sale, and financing services on the related mortgage transaction, and to receive compensation for providing both types of services.

REAL ESTATE COMMISSION LEGISLATION

Pursuant to recent amendments to N.J.S.A. 2A:17:56.43, all licensing agencies must now inquire on their license application forms whether the applicant has failed to provide court-ordered health care coverage during the past 6 months or has failed to respond to a subpoena in a paternity or child support proceeding. Persons

who answer yes shall not be licensed. Supplying false information may subject the applicant to contempt of court, and will subject an applicant for a real estate license to sanctions under the licensing law, N.J.S.A. 45:15-17(n).

The Commission is presently in the process of amending its license

application forms, including the renewal applications which will be used for 2001-2003 license term to meet these requirements. Current licensees who may be affected by these changes in the law should take steps to rectify the matter(s), so as to avoid being disqualified from renewing their license next year.

ON THE WEB

The Real Estate Commission has adopted the rules listed at right.

For a complete text of the rules, archives of prior rules and links to other important e-documents, visit us on the web at www.naic.org/nj/recnotes.htm

- N.J.A.C. 11:5-6.1 Access to listing via the web.
- N.J.A.C. 11:5-4.2, 4.4, 5.4 and 6.1 Technology-related amendments to rules on licensee and office supervision, records and licensee advertising.
- N.J.A.C. 11:5-6.4 Amendments addressing disclosure obligations re: property condition, Megan's Law etc.
- N.J.A.C. 11:5-5.1 and 5.4 Forms of payment of deposits and rents, credit card charges on short-term rentals.

NEW BANKING STATUTES SIGNED

On July 13, Governor Christie Whitman signed into law new statutes on banking.

First, A-2263 (P.L. 2000, c.69) establishes an expedited application process for certain kinds of routine applications, such as branches.

Institutions may apply under the expedited process if they (1) request the new procedure, (2) have existed as an institution for at least three years, (3) are well capitalized, (4) are adequately managed, and (5) have a rating of "satisfactory" or better under the Community Reinvestment Act. Applications must be accompanied by "other information, if any, as the Commissioner may require by rule or regulation to confirm that an establishment of the

See Statutes, Page 7

WORKERS' COMPENSATION RATES DECLINE 6TH STRAIGHT YEAR

Premiums that New Jersey businesses pay to the state's workers compensation system will be reduced by an overall 2.3 percent in 2001, Banking and Insurance Commissioner Karen L. Suter said.

At the same time, weekly benefits to injured workers for time lost from work will increase to a maximum of \$591 from \$568, and to a minimum of \$158 from \$151. The change will affect new and renewal policies effective on or after Jan. 1, 2001.

The reduction will mark an unprecedented sixth consecutive year that workers compensation rates have gone down. The cumulative effect is a decrease of 30 percent.

"This trend reflects the fact that New Jersey employers incur lower insurance costs than employers in other states, where workers compensation rates have been on the rise," Governor Christie Whitman said. "This means New Jersey is better equipped to provide for the needs of injured workers and their families."

It is estimated that the net cost savings to the approximately 168,000

New Jersey businesses during 2001 will be about \$31 million.

In addition to the weekly benefits from time lost from work, workers compensation insurance policies provide lifetime benefits to permanently and totally disabled workers and to spouses of deceased workers. The policies also provide unlimited medical benefits without co-payments or deductibles.

"These premium reductions flow from a relatively stable loss experience when compared to the exposures," Commissioner Suter said. "Also contributing is the fact that the economy has maintained a steady and favorable pace. Greater employment produces improved loss results."

Commissioner Suter also said that employers and insurers have been working together to improve workplace safety and, when accidents happen, they are providing optimum medical attention in many cases using certified managed care programs.

Although the overall premium reduction is 2.3 percent, the premium for individual businesses will vary

based on the quality of experience generated by the designated business classification.

The premium for certain businesses also depend upon the loss experience of the individual employer. Additionally, individual insurance costs also may be reduced by managed care credits, premium discounts and dividend payments.

The New Jersey workers compensation system is the joint responsibility of the Departments of Banking and Insurance and the Department of Labor. The Labor Department administers the processing of claims for benefits to ensure that each injured worker receives proper consideration. Banking and Insurance, through the Compensation Rating and Inspection Bureau, administers all matters concerning the required insurance.

The reduction follows a 2.4 percent decrease in 2000; a 5.2 percent reduction in 1999; a 9.3 percent decrease in 1998; an 11.2 percent reduction in 1997, and a 3.6 percent decrease in 1996.

INTERIM PAYMENT SENT TO DOCTORS, HOSPITALS

Checks totaling \$15.9 million have been mailed to more than 1,000 doctors, hospitals and other medical providers who are owed money as a result of the 1998 insolvencies of HIP Health Plan of New Jersey and American Preferred Provider Plan.

The checks are partial payment and the first to have been issued under the authority of the New Jersey Insolvent Health Maintenance Organization Assistance Fund Act of 2000. The Act provides funds for health care providers with unpaid claims arising from HIP-NJ and APPP for services they provided before these HMOs became insolvent.

The interim payments are posted on the Department's web site at www.naic.org/nj/njihmoaa.htm

NEW BANK AND CREDIT UNION FEE GUIDE



Banking and Insurance Commissioner Karen L. Suter talks with reporters at the unveiling of the new Consumer Guide to Bank and Credit Union Fees at the Governor's office December 8.

Enforcement

ADMINISTRATIVE ACTIONS, BANKING

NAME OF LICENSE	TYPE OF ORDER	REASON	DATE	STATUS
American Mortgage Associates LP	Final Penalty Order	A	4/17/00	Violation corrected 5/17/00*
AT&T Credit Consumer Fin. Corp.	Final Suspension Order	A	4/17/00	Suspended
Amerifirst Mortgage Corp.	Final Suspension Order	A	4/10/00	Suspended
Avstar Mortgage Corp.	Final Suspension Order	A	6/6/00	Suspended
All Star Mortgage Inc.	Final Suspension Order	A	6/6/00	Suspended
Auto Bond Acceptance Corp.	Final Suspension Order	A	6/6/00	Suspended
Mortgage Now Inc.	Notice of Suspension Order	A	4/10/00	Violation corrected 5/1/00*
National Home Mortgage Corp.	Notice of Suspension Order	A	4/17/00	Violation corrected 6/2/00*
Nexus Financial, LLC	Notice of Suspension Order	A	4/17/00	Violation corrected 4/25/00*
Real Estate Mortgage Network	Notice of Suspension Order	A	4/17/00	Violation corrected 4/26/00*
Advantage Funding Group Inc.	Final Suspension Order	A	6/6/00	Suspended
Eastwood Mortgage Corp.	Notice of Suspension Order	A	4/10/00	Violation corrected 5/9/00*
Government Mortgage Corp.	Final Suspension Order	A	6/6/00	Suspended
First Keystone Mortgage, Inc.	Final Suspension Order	A	6/6/00	Suspended
BNY Mortgage Co.	Notice of Penalty Order	C	4/26/00	Violation corrected 5/12/00*
Kash Division Inc.	Final Suspension Order	A	6/6/00	Suspended
NAL Acceptance Corp.	Notice of Suspension Order	A,D	4/26/00	Suspended
Peerless Financial Services Inc.	Final Suspension Order	D	6/6/00	Suspended
Richard Eckert Check Cashing	Notice of Penalty Order	C	4/26/00	Violation corrected 7/17/00*
Western Fidelity Funding Inc.	Final Suspension Order	A	6/6/00	Suspended
City Auto Resources	Final Penalty Order	A	6/6/00	Suspended
D & M Check Cashing	Notice of Suspension Order	A	5/1/00	Violation corrected 6/30/00*
Enterprise Plan Inc	Notice of Suspension Order	A	4/26/00	Pending Final Order
Greenwich Capital Fin.Products	Final Suspension Order	A	6/6/00	Violation corrected 7/27/00*
First Sterling Financial Inc.	Notice of Penalty Order	C	5/1/00	Pending Final Order
Foster Village Check Cashing	Notice of Suspension Order	A	5/1/00	Violation corrected 5/19/00*
GP Finance & Mortgage	Notice of Penalty Order	C	5/1/00	Violation corrected 5/10/00*
ML & B Holding Corp.	Final Suspension Order	A	6/6/00	Pending Final Order
Brokers Commitment Corp.	Final Suspension Order	A	6/6/00	Suspended
Exceptional Mortgage Network	Final Suspension Order	A	6/6/00	Suspended
First Plus Financial Inc.	Final Suspension Order	A	6/6/00	Suspended
Gateway Funding Diversified, LP	Notice of Penalty Order	C	5/1/00	Violation corrected 5/15/00*
Mortgage Lending Corp.	Final Suspension Order	A	6/6/00	Violation corrected 8/9/00*
R&J Mortgage Services Inc.	Final Suspension Order	A	6/6/00	Suspended
Barnett Dealer Fin. Services Inc.	Notice of Penalty Order	C	5/1/00	Pending Final Order
Eaglemark Inc.	Notice of Suspension Order	A	5/1/00	Pending Final Order
Household Auto Motive Fin. Corp.	Notice of Penalty Order	C	5/1/00	Violation corrected 5/25/00*
Loan Star Mortgage Co.	Final Suspension Order	A	6/6/00	Suspended
Preferred Home Mtg. Co.	Final Suspension Order	A	6/6/00	Suspended
Fleetwood Funding Inc.	Notice of Suspension Order	A	5/3/00	Violation corrected 5/26/00*
Aegis Acceptance Corp.	Notice of Suspension Order	A	5/1/00	Pending Final Order
Ira Lapes T/A Supreme Cred. Corp.	Final Suspension Order	D	5/4/00	Suspended
Safe Harbor Mortgage Co.	Notice of Suspension Order	A,D	5/3/00	Pending Receipt
Talon Acceptance Corp.	Notice of Suspension Order	A	5/1/00	Pending Final Order
Canal Money Transfer Corps.	Suspension Order	E	6/6/00	Suspended

REASON CODES

A- failure to file 1998 annual report
 B- unlicensed activity-stipulation issued
 C-late filing penalty for annual report

D-failure to file 1997 annual report
 E-failure to maintain surety bond coverage
 * Order Rescinded

INSURANCE COMPANY FINES



REAL ESTATE ENFORCEMENT

Aetna US Healthcare Dental Plan, Inc. - \$20,000 for billing certain subscribers from a rate schedule not filed with the Commissioner.

Allegheny Mutual Casualty Company - \$10,000 for constructive responsibility for allowing a limited representative to engage in a pattern and practice of failing to attempt in good faith a prompt and fair settlement or failing to move promptly for vacation on forfeited bail bonds in Union County.

Allianz Life Insurance Company of North America - \$60,000 for issuing policies to New Jersey residents identifying Life USA Holding, Inc. as the administrator; selling policies which offered a guaranteed annuity interest rate bonus in excess of the rate filed with the department; permitting Life USA to perform in the capacity of a managing general agent on Allianz's behalf in New Jersey; allowing an agent to place an advertisement which failed to identify the name of the insurer and the conditions under which an annuitant would receive a one-year guaranteed interest rate of 14.21%; implementing a rate increase of Medicare supplement policies after receiving disapproval from the department.

Allied Health Association - \$1,700 for allowing insurance coverage to be issued on seven New Jersey Association members through a group master contract without registering the group with the department.

Allstate Insurance Companies - \$54,855 conduct examination in which its complaint handling, claims handling and homeowner's termination practices were not in accord with regulatory requirements.

American Bankers Insurance Group - \$372,739 in settlement of a multi-state examination in which alleged violations of insurance laws and regulations were asserted by several states.

Amwest Surety Insurance Company - \$30,000 for engaging in a pattern and practice of failing to make a good-faith attempt at a fair settlement or failing to move promptly for vacation on forfeited bail bonds, forcing Union County to file litigation for cases. ■

John Wilkey, salesperson, Morris County, Feb. 8. The Commission found that Respondent violated N.J.S.A. 45:15-19.1, 45:15-17(e) and (s) and 45:15-9 and revoked his license for 5 years retroactive to Nov. 5, 1999. He must requalify for a license at the end of the revocation period.

Jack Leon, salesperson, Cumberland County, Feb. 15. The Commission found that the Respondent violated N.J.S.A. 45:15-17(e), and (s), and 45:15-19.1, and revoked his license until Sept. 25, 2003. Leon must fully requalify for a license at the end of the revocation period.

Guy Fellingine, formerly licensed salesperson, Morris County, Feb. 15. The Commission found that the Respondent violated N.J.S.A. 45:15-17(a), (e), (h), (n) and (s). Taking into consideration extreme mitigating circumstances, the Commission imposed a 4-month license revocation retroactive to Dec. 21, 1999, to be followed by a one-year period of probation with quarterly reports to be submitted by his employing broker.

Thomas W. Mozzone, formerly licensed broker and Olde Village Homes Inc., Sussex County, Feb. 29. The Commission approved a settlement wherein Respondent admitted to violations of N.J.S.A. 45:15-12.5, 45:15-17(d), (e) and (o) and N.J.A.C. 11:5-5.1(a), (c) and (e) and agreed to a revocation of his broker license for 8 years and a 5-year period of ineligibility to hold a salesperson's license. Respondent also agreed to pay a \$6,000 fine.

Lilia Nazarov, formerly licensed salesperson, Middlesex County, March 14. The Commission approved a settlement of the case wherein Respondent admitted to violations of N.J.A.C. 11:5-6.4(c) and agreed to a 3-year revocation of her license and a \$1,000 fine. Respondent further agreed to again complete the education and examination requirements before she will be eligible to re-apply for a license.

Arthur Kharanov, formerly licensed salesperson, Middlesex County, March 14. The Commission approved a settlement of the case wherein Respondent admitted to a violation of N.J.S.A. 45:15-17(q) and agreed to a suspension of his license until June 30, 2001. Respondent further agreed to again complete the education and examination requirements before he would be eligible to re-apply for a license.

Camille A. Julian, formerly licensed salesperson, Middlesex County, March 14. The Commission approved a settlement of the case wherein Respondent admitted violating N.J.S.A.

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Enforcement

45:15-17(a) and agreed to have her license held on probation for one-year period and to pay a \$500 fine. Respondent also agreed to again complete the salesperson's pre-licensure education course.

Maureen A. Clausen, formerly licensed salesperson, Middlesex County, March 14. The Commission approved a settlement wherein Respondent admitted to a violation of N.J.A.C. 11:5-6.2(a)(4) and agreed to have her license held on probation for a one-year period and to pay a \$300 fine. Respondent also agreed to again complete the salesperson's pre-licensure education course.

Thomas P. Brennan, broker, Cape May County, Auction Works, LLC, unlicensed entity, May 2. The Commission found that the Respondent violated N.J.S.A. 45:15-17(a), (e), (m), (o); 45:15-19.1, and N.J.A.C. 11:5-6.1, 6.2, and 6.9. The Commission revoked the Respondent's broker's license for 10 years and determined that he is ineligible to apply for a salesperson's license for 7 years, or the length of his criminal sentence, including probation or parole, whichever is longer. The Commission imposed a \$15,000 fine and required Respondent to pay any back taxes plus penalties and interest, as ordered by the U.S. District Court, before he will be eligible for relicensure.

Erik Put, salesperson, Morris County, May 9. The Commission found that the Respondent violated N.J.S.A. 45:15-17(a), (e), (n) and (s) and suspended Respondent's license until Feb. 14, 2001. A \$1,000 fine also was imposed.

Aubrey Vibbert, formerly licensed salesperson, Monmouth County, May 16. The Commission found that the Respondent had violated N.J.S.A. 45:15-17(e) and (s) and revoked the Respondent's license for 4 years retroactive to Aug. 12, 1999.

Ralph Carchio, broker, Monmouth County, March 21. The Commission entered an Order Approving Settlement in which Respondent was found to have violated N.J.S.A. 45:15-17(e). Respondent's license is to be held on a probationary basis for one year, and he must complete the 30-hour broker pre-licensure education course on office management. A \$4,000 fine also was imposed.

Denis F. Snead, formerly licensed salesperson, Atlantic County, April 4. The Commission found that the Respondent violated N.J.S.A. 45:15-17(n). The Commission suspended Respondent's license for 1

year. A \$1,000 fine also was imposed.

Raymond J. Dziadul, salesperson, Middlesex County, May 2. The Commission found that Respondent had violated N.J.S.A. 45:15-1 and 45:15-17(e), suspended Respondent's license for one year and ordered that he again complete the education and examination requirements before any license may be issued to him. A \$1,000 fine also was imposed.

Anthony F. Odovardi, salesperson, Bergen County, May 23. The Commission found that Respondent violated N.J.S.A. 45:15-17(e) and (s). Respondent's license was suspended for 6 months and is to be held on a probationary basis for one year upon reinstatement, with quarterly reports from his employing broker. A \$500 fine was also imposed.

Maria J. Drumwright, broker, Grand Castle Realty, Monmouth County, June 6. The Commission found that Respondent committed multiple violations of N.J.S.A. 45:15-17(a), (d), and (o) and N.J.A.C. 11:5-1, 5.4, and 5.5. The Commission revoked Respondent's broker license for 10 years and declared that she is ineligible to apply for a salesperson's license for 5 years. The Commission also imposed a \$5,000 fine.

Clarence Dubose, salesperson, Union County, June 20. The Commission found that Respondent violated N.J.S.A. 45:15-17(a), (h) and (n). The Commission took into consideration mitigating circumstances and imposed a penalty of 30-day license suspension and one year period of probation following any reinstatement of the license, during which time the Respondent's employing broker must submit quarterly reports to the Commission.

Yelena Ferens, formerly licensed salesperson, Monmouth County, June 27. The Commission found that Respondent violated N.J.S.A. 45:15-17(e) and (s). The Commission suspended Respondent's license for one year, retroactive to the date the license became inactive, and ordered that she again complete the education and examination requirements before any license may be issued to her. A \$250 fine was imposed.

Candycy P. Howerton, broker, REO Maximums Realty Group Inc., broker, Monmouth County, Aug. 1. The Commission found that Respondent violated N.J.S.A. 45:15-17(e), (k) and (o) and suspended Respondent's license pursuant to N.J.S.A. 45:15-19.2 pending the final disposition of the criminal indictment pending against her. The Commission also imposed a fine in the amount of \$3,000. ■

STATUTES

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branch (1) will not adversely affect the safety and soundness” of the bank, savings bank, or savings and loan association, and (2) will not adversely affect the public interest.

If the Department does not approve or deny in thirty days from receipt by the Commissioner, the application is deemed approved. The act took effect immediately upon signing and the Department is starting to receive applications under the new law.

Chapter 69 also would expand the powers available to institutions under state parity.

State-chartered banks, savings banks and savings and loans associations now have parity with all types of federally-chartered institutions and with all types of state-chartered institutions in other states.

Institutions seeking to exercise powers authorized by other states will have to secure individual approval from the Department before exercising such powers.

Nicholas Ketcha, Director of the Division of Banking, said that he “hopes that institutions will use the new provisions prudently to take advantage of innovative, reasonable legal developments in other jurisdictions.

Second, A-2264 (P.L.2000, c.70)

specifies a procedure for merging subsidiaries of depository institutions into the institutions.

The surviving depository institution cannot, following the merger, engage in any activity that the institution could not do on its own.

Third, Assembly, No. 2179 (P.L.2000, c.67) would remove the requirement that at least two-thirds of the members of the board of a state-chartered savings banks must reside in New Jersey, except that the requirement is retained during the first five years of operation of the institution because of the need to maintain a close contact between

new institutions and their communities.

Finally, A - 2180 (P.L.2000, c.68) would remove the requirement that savings banks use the word “savings” in their names.

On May 9, 2000, Governor Christie Whitman

signed S-618 (P.L.2000, c.23) which provides for continuity of contractual and other obligations following the introduction of the Euro as a currency.

The Department promulgated a new regulation governing branching in-state and across state lines for State-chartered credit unions.

Promulgated: April 17, 2000 @ 32 N.J.R. 1375. N.J.A.C. 3:21-3.1 et seq. The Department reworked regulations regarding investments, bank service corporations, advertising and right to know.

NAIC

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Without accreditation, New Jersey’s domestic insurers potentially could be subject to financial examinations – at their own expense – by accredited insurance departments.

“We are extremely proud that we have continued our accreditation because it means we have kept up our high standards of regulation,” Commissioner Suter said. “Because of our accreditation, New Jersey-based companies will not be subjected to duplicate financial examinations and associated costs. That lessens the cost of insurance for everyone.”

States are accredited for 5 years under the Financial Standards and Accreditation Program the NAIC established in 1990 to improve the quality of solvency regulation by insurance departments nationwide. This action by the NAIC continues New Jersey’s accredited status.

To become accredited, a state must have laws, regulations, practices and procedures similar to those deemed by regulators as necessary for effective solvency regulation. Under the NAIC program, each state is evaluated for compliance with those standards.

Commissioner Suter praised the support of Governor Christie Whitman and the Legislature, and the hard work by the Department’s employees for helping New Jersey retain its national accreditation.

“I am especially proud of the Department, and that the people of New Jersey are well-served by its employees,” Commissioner Suter said. “Effective consumer protection is our goal, and regulating insurance companies for solvency is an important key to ensuring that New Jersey remains a good place to live, work and raise a family.”



Continued...

MESSAGE

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We have also gone hi-tech for some of the lengthier data. For example, while many of the new rules are highlighted in this newsletter, complete versions of the text are available on the Department's web site, www.njdobi.org

Also, since this publication aims to be a service to our readers, we would like to hear from you. Any promotions or other announcements that you think would be of interest to your industry can be included in the "People" page. Submissions can be sent via email to NJBIO@dobi.state.nj.us

This past summer, I held three public hearings around the state to learn whether predatory financial practices are present in New Jersey.

While it is still too soon to draw conclusions, this much is clear. First, the value and the need for sub-prime lending for those with bad credit records, and how that has opened up opportunities for people who otherwise would not have them.

It is the predatory lender, not the sub-prime lender, who needs to be addressed.

Second, is the value of stepped-up enforcement against unscrupulous home-repair contractors and the lenders who support them. Governor Whitman has already responded by directing the formation of a joint Strike Force against home repair scams.

The Department of Banking and Insurance and the Department of Law and Public Safety's Division of Consumer Affairs are now pooling their resources to tackle this problem on two fronts. We are targeting the contractor who performs bad or even unnecessary work, and the finance com-

**Banking and Insurance
Commissioner
Karen Suter
speaks with a
resident
following a
presentation on
consumer
issues this past
summer at
Sandy Hook.**



pany that convinces homeowners to agree to unfavorable borrowing terms or knowingly funds bogus repairs.

Third, is the need for more consumer education. It is apparent from these hearings that too few citizens understand basic financial concepts, let alone the complexities of financial services in today's world. This is another area where the Department can make a real difference, and we have already started.

For example, through the help of senior citizens in Monmouth County, the Department is promoting a hands-on anti-fraud program that we will be bringing directly to senior-citizen community organizations. The program addresses insurance scams and predatory financial practices that target our older citizens.

I am creating a financial education officer in the Department to launch a direct, face-to-face financial literacy program for high school students. High school may be one of the best times for New Jerseyans to learn basic budgeting techniques,

to balance a checkbook, and to build and then maintain good credit.

This program will be in addition to the Department's on-going efforts to coordinate financial education workshops with local community groups.

Finally, we are revising and expanding the information we make available to consumers, whether on the World Wide Web, in the form of new Consumer Guides, or as part of published rate-comparison charts for insurance shoppers. One example is the updated guide to bank fees that now has a new section on credit unions. The new Consumer Guide to Bank and Credit Union fees was published just this month.

Examination of predatory practices may also reveal the need for new laws or regulations on top of our new enforcement and consumer-education programs. My goal is to help make New Jersey an even better place to live, work and raise a family.

INSURANCE OMBUDSMAN ALERTS INSURERS TO APPEALS REQUIREMENTS, AUTO GARAGING ISSUE

INTERNAL APPEALS PROCEDURES HIGHLIGHTED

N.J.S.A. 17:29E-9 requires that, "Every insurer writing property and casualty insurance or life insurance in this State shall establish an internal appeals procedure for the review of disputed claims ..."

The statute makes no distinction between first- and third-party claims, so this appeals mechanism has far-reaching potential and is viewed as a critical element to helping to improve the climate for more satisfactory resolutions of disputed claims.

The Internal Appeals process was emphasized by the Department through Order A99-158 and Bulletin 00-02 that required insurers to provide the Office of the Insurance Ombudsman with descriptions of their compliance. To decide those appeals, insurers are required to establish a panel that had not participated in day-to-day claims decision-making.

Key elements of the process include informing claimants of their right to appeal unfavorable settlement decisions to the internal appeals panel, which then has 10 days to respond.

In that response, an insurer must advise the claimant of the panel's determination and the reasons for it, and inform the claimant of the right to seek review of that decision by the Office of the Insurance Claims Ombudsman.

To help ensure the effectiveness of this effort, insurers were required to begin to maintain internal appeals data as of July 1, 2000, in order to begin to report semi-annually in January 2001.

Insurance Ombudsman staff communicated with insurers' designated contacts to provide feedback on the initial internal appeals procedures filing, and staff remain available to assist with follow-through and implementation questions.

Office Of The Ombudsman



The availability of this appeals mechanism gives consumers a viable and formal alternative to redress their dissatisfactions about denials of claims or settlement offers perceived as inadequate.

AUTO RATING PRACTICES AND GARAGE LOCATIONS REVIEWED BY THE OMBUDSMAN

As a result of investigations by the Office of the Insurance Ombudsman into consumer complaints about being overcharged premiums for their automobile insurance based on their mailing address rather than their actual garaging location, the Department issued Bulletin 00-02 directing companies to review relevant practices.

Problems had arisen as a result of reliance by insurers on the use of zip codes to assign rating territories in those areas of the state where zip code designations transcend boundary lines of political subdivisions that are also being used to distinguish between two rating territories. All private-passenger automobile insurers doing business in the New Jersey were required to review their underwriting practices to ensure that correct territory assignments were made based on the garage address of the covered vehicles.

The Bulletin further requires insurers to advise the Office of the Insurance Ombudsman of the safeguards that have been put into place to address this problem, as well as the steps taken to prevent these occurrences in the future. In addition to analyzing company responses to the Bulletin and following up with additional requests to companies for clarifying data, the Ombudsman's office continues to monitor refunds and associated interest issued to policyholders resulting from incorrect territory assignments.

In one instance, a consumer received a refund of \$3,570 because her policy had been assigned to an incorrect territory since 1965.

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NJ BANKS

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Earnings for established banks also were marginally affected by slightly higher operating expenses as measured by overhead to average assets ratio, which rose from 2.54 percent in March 1999 to 2.57 percent in March 2000.

NEWLY ESTABLISHED BANKS

Seven new banks were chartered between March 1999 and March 2000, bringing the total number of newly chartered state banks to 20 since March 1997.

The increasing number of new banks continued to depress the average return on assets (ROA) for all new banks.

In March 2000, the ROA for new banks was (-) 1.12 percent, compared with (-) 1.69 percent a year ago.

New banks, defined as those formed since March 30, 1997, represent 38 percent of the state-chartered commercial banks. The substantially lower level of earnings for the new banks is typical with the initial start-up costs associated with implementing strategic plans to obtain market share and develop business lines.

Higher required capital levels support the lower earnings expected in the initial year.

The new banks' average capital ratio of 22.3 percent as of March 2000 is more than three times the average

capital ratio of the state's established institutions.

STATE-CHARTERED SAVINGS BANKS

The number of state-chartered savings banks remained constant at 27 between March 1999 and March 2000. At the end of March 2000, the share of industry assets held by the 27 savings banks rose from \$21.6 billion to \$24.5 billion, an increase of 13.4 percent.

The net income of the savings banks grew 22.5 percent since the first quarter of 1999, to \$60 million in March 2000. During that time period, the industry's annualized ROA increased from 0.93 percent to 1.02 percent.

The industry-wide controlled

non-interest expense to average earning assets continued its downward trend in the first quarter of 2000 to 1.30 percent. That figure is down from 1.36 percent from March 1999 and 1.40 percent from March 1998.

In the first quarter of 2000, the average NIM increased to 2.79 percent from 2.75 percent the year before. Non-interest income also decreased marginally from 0.15 percent of average assets in March 1999 to 0.14 percent in the first quarter of 2000.

STATE-CHARTERED SAVINGS AND LOANS

The number of state-chartered thrifts (S&Ls) declined from 15 to 12 between March 1999 and March 2000,

with total assets decreasing from \$6 billion to just \$3.5 billion, a decline of 41.7 percent.

Consequently, quarterly earning for the group declined during that time period from \$14 million to just \$8 million, or 42.9 percent. Annualized ROA remained constant at 0.95 percent, reflecting parallel shifts in asset and earnings volumes.

Earnings were benefited by improvements in both the net interest margin, up from 3.15 percent to 3.24 percent, and lower level of overhead expenses, down from 1.92 percent to 1.85 percent of average earning assets.

The ROA was limited somewhat, by lower non-interest income, down from 0.37 percent to 0.23 percent of average earning assets.

Aggregate net income for all New Jersey commercial banks and savings institutions rose between March 1999 and March 2000. For the first quarter of 2000, state- and federally-chartered banks and savings institutions posted record earnings of \$454 million, up 7.1 percent from the year before.

expense growth offset the effect of narrow net interest margins (NIMs) and decreasing non-interest income levels on bank earnings. The ratio of

Four new assistant commissioners joined the Department to oversee a variety of operations, including depositories, enforcement and consumer protection and legislative, regulatory and public affairs. To contribute your "people" items, please e-mail material to the Department as follows: NJBIQ@dob.state.nj.us

Lee Barry oversees the Office of Enforcement and Consumer Protection, consisting of five units: consumer protection, market conduct, enforcement, insurance education, and licensing.

Before joining the Department, Lee was a Deputy Attorney General for 16 years, most recently at the New Jersey Division of Criminal Justice, where he worked at the Office of the Insurance Fraud Prosecutor, handling criminal prosecution. Before that, he represented many New Jersey agencies while at the Division of Law. In 1991, he served as lead attorney in charge of complex litigation against servicing carriers for the New Jersey Automobile Full Insurance Underwriting Association (JUA), which resulted in settlements of more than \$52 million. He is graduate of Rutgers University Law School, Camden.

Lee lives in Mount Laurel with his wife, Terry and their two children. Aside from watching his children play soccer, Lee's interests include woodworking, home repair and auto mechanics, and building computers.

Kenneth L. Walker oversees the Office of Depositories, which processes and reviews applications for new charters, branches relocations, plans of acquisition, mergers bulk sales, stock conversions and auxiliary offices. The office also is responsible for examinations of state-chartered commercial banks, savings banks and savings and loan association and for enforcement actions.

Ken, who joined the Department in October, has been employed as a consultant for KMG Consulting (formerly the Barents Group LLC), of

McLean, Va., since 1997. Most recently, he was lead resident adviser to the Bank Supervision Department of the Bulgarian National Bank in Sofia, Bulgaria. He also was adviser to the National Bank of Romania.

He retired from the FDIC in 1996, after holding numerous bank supervisory positions. He was appointed Regional Director of the FDIC's Dallas office in April 1986; served as Assistant Director of Supervision and Enforcement Activities in the Washington office since April 1985, and was appointed Regional Director of the Philadelphia office in 1984. Ken joined the FDIC in 1968 as an examiner trainee in Lincoln, NE, and later worked in field offices in Nebraska and Iowa as an examiner. He was named Field Office Supervisor in the Lincoln office 1975, and in the Omaha, NE, office in 1979.

He became Chief Review Examiner in the Omaha Regional Office in 1981, and Assistant Regional Director in Philadelphia in 1983.

Ken has also taught courses in banking principles, credit analysis and management and was a member of the Advisory Committee for the Texas Tech School of Banking in Lubbock, Texas, and Bank Operations Institute at East Texas State University.

Ken and his wife, Nancy, reside in Marlton.

Karen Garfing joined the Department in July to head the Office of Regulatory Affairs. She oversees the regulatory work of the agency regarding rulemakings and bulletins, and serves as a liaison with the Attorney General's Office.

Since 1981, Karen had been employed at the Office of Administrative Law in various capacities. Most recently, she supervised the rules and publications unit, which is responsible for the review of all agency rulemakings and their publication in the New Jersey Register and Administrative Code. Prior to that appointment she oversaw the merit-

based judicial evaluation program. She also directed the legal research and judicial education programs for administrative law judges for 10 years.

Karen had also worked in the Department of Civil Service, now Personnel. Her responsibilities included legislative and regulatory drafting and analysis of appeals.

She resides in Mount Laurel with her husband, Richard Singer, and their soccer-loving 9-year-old twins.

Charles K. "Chip" Dutcher oversees the newly aligned Office of Legislative and Public Affairs.

He joined the Department in June, after six years as Director of the Division of Communications and Human Resources of the New Jersey Health Care Facilities Financing Authority.

He is responsible for all legislative activities of the Department, including interaction with legislators and other interested parties on proposed bills, which may affect the banking, insurance and real estate divisions within the Department. He is also responsible for the Department's public affairs activities that include interaction with the news media as well as overseeing an extensive array of departmental publications.

Before moving to New Jersey, Chip held several jobs with the federal government. He served as Associate Director of Presidential Personnel in the Reagan White House. Prior to joining the White House staff, he served as Director of Executive Administration and as Deputy Director of the Executive Secretariat at the Department of Transportation.

Chip also worked in the U.S. Senate and U.S. House of Representatives. He was appointed by President Reagan to serve as the Alternate U.S. Commissioner to the Great Lakes Fishery Commission, and represented the President at the opening of the Battle of Normandy Museum in Caen, France.

Chip attended Ohio State University and lives in Princeton.



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